A New "*New Paradigm*" for Housing in Greater Boston

DHCD Housing and Community Development Conference

"Housing that Works" Panel

Barry Bluestone

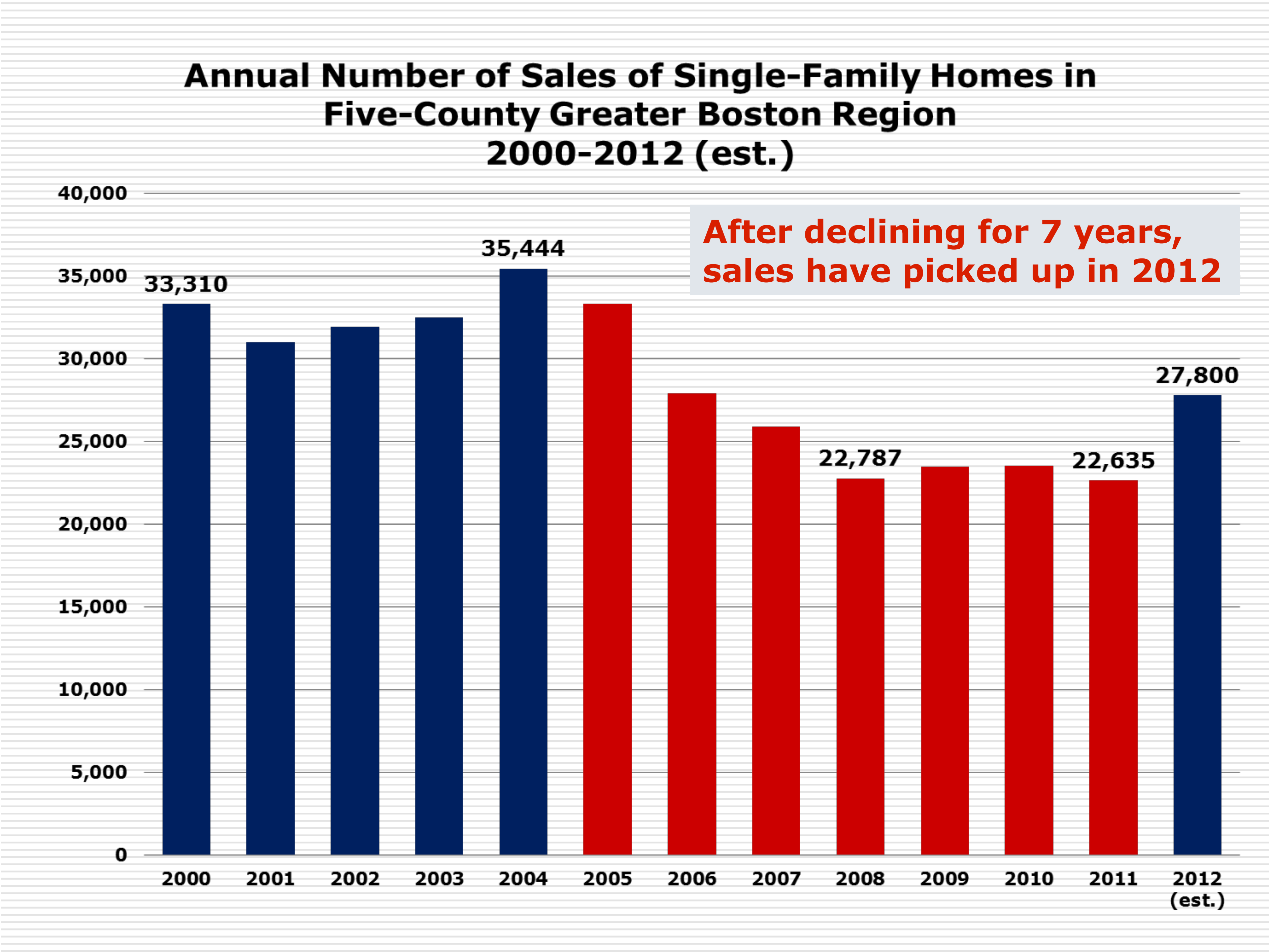
Director, Dukakis Center for Urban and Regional Policy, Northeastern University

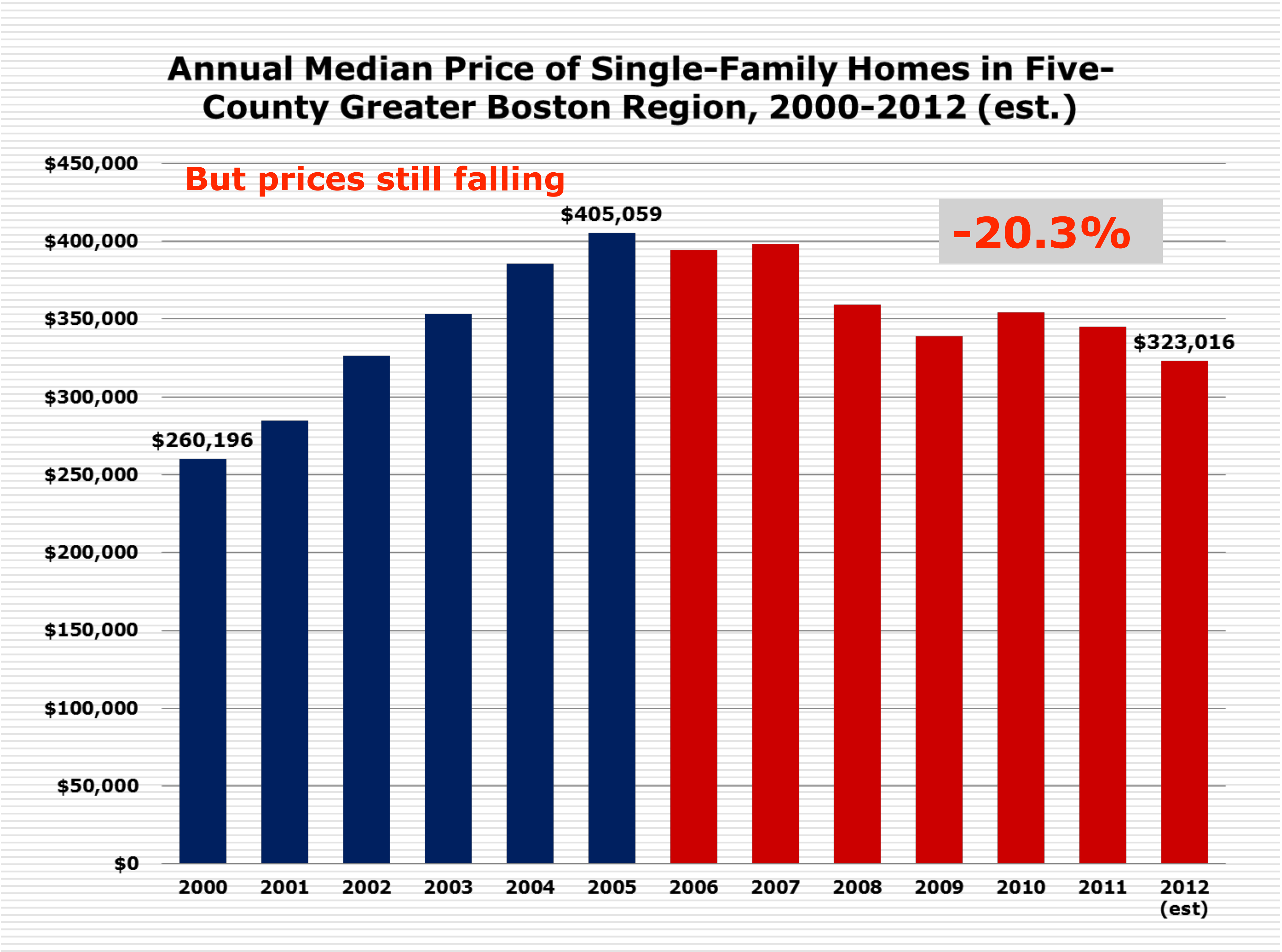
November 13, 2012

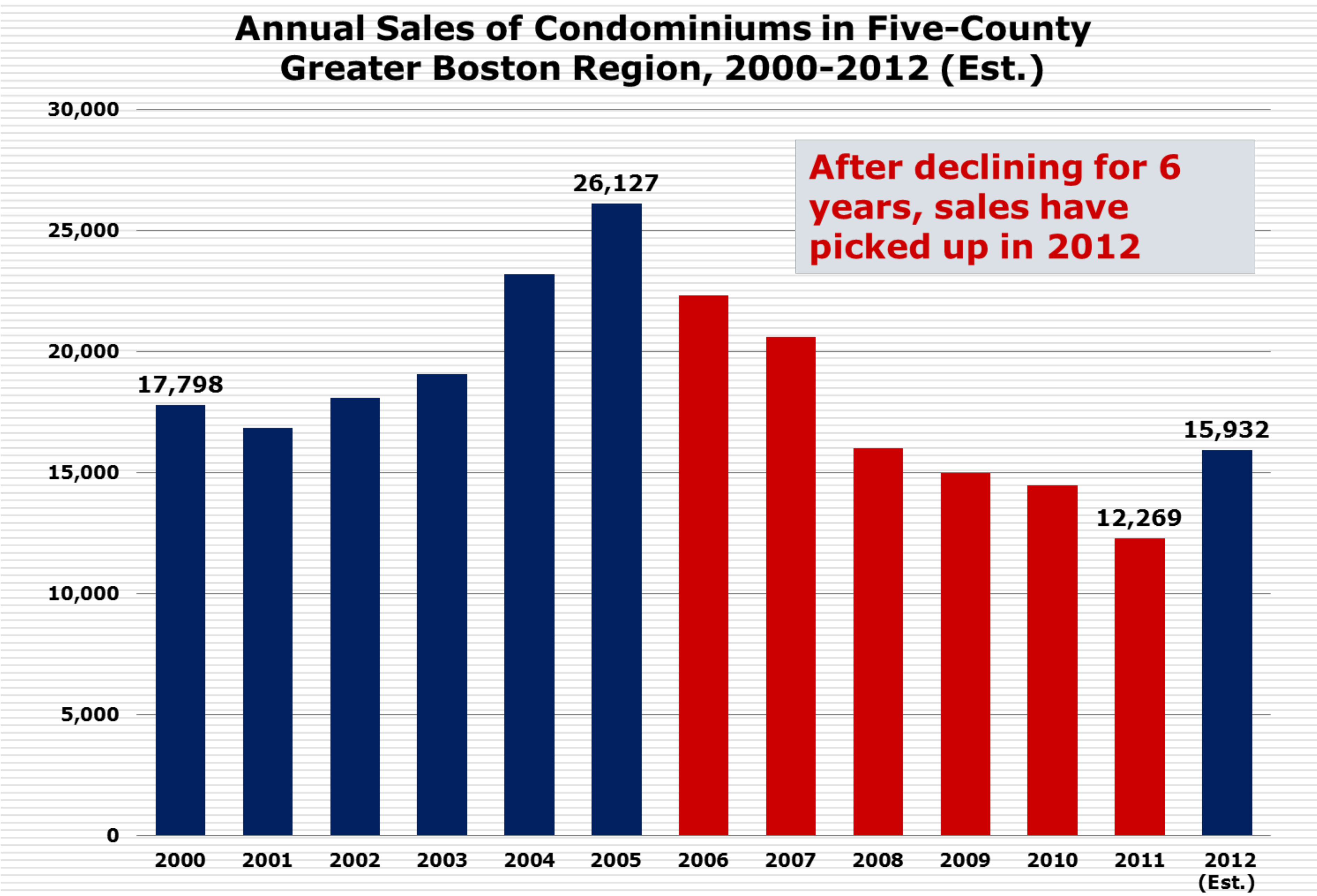
DCU Center Worcester

Northeastern University

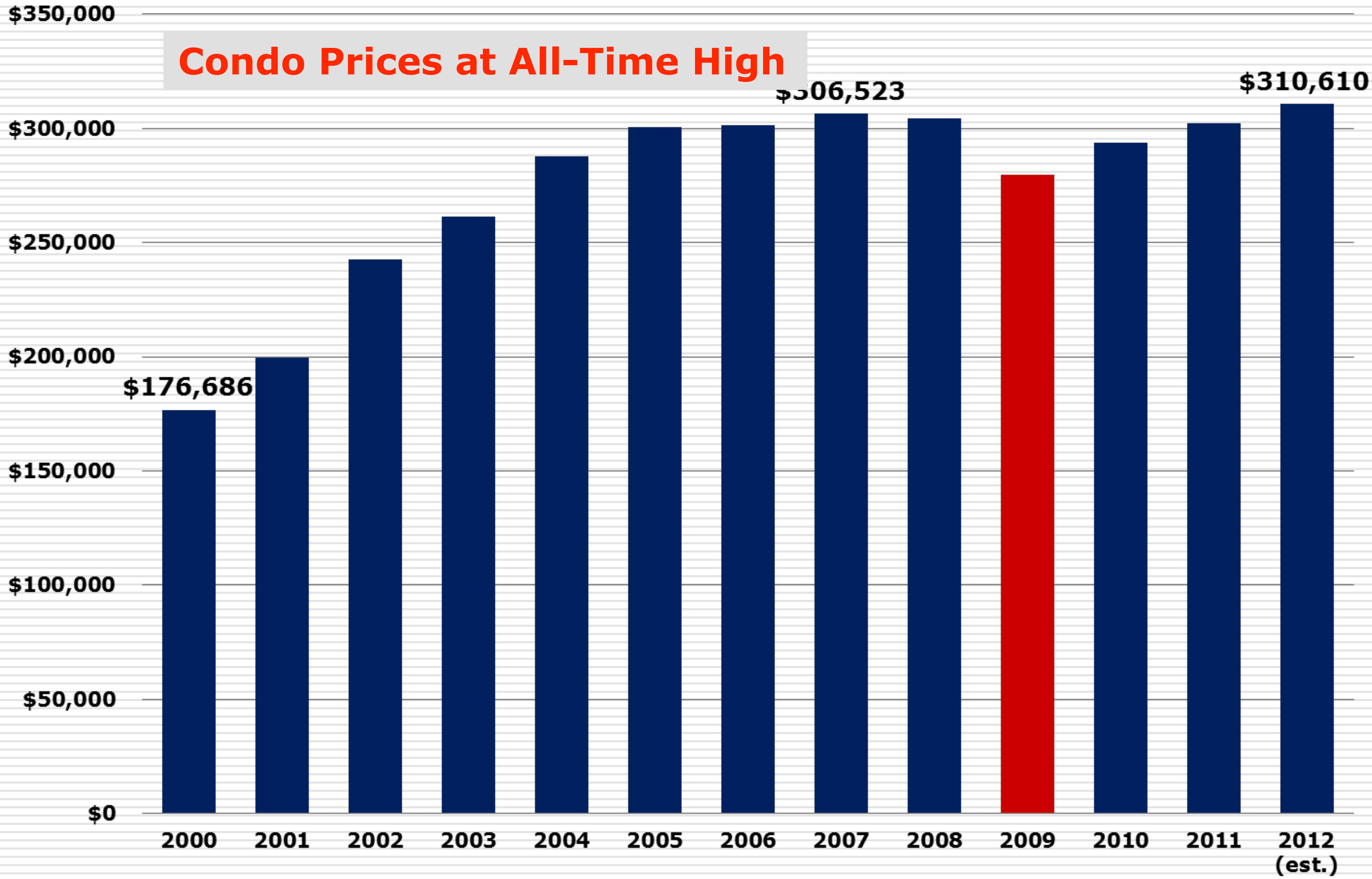
Kitty and Michael Dukakis Center for Urban and Regional Policy

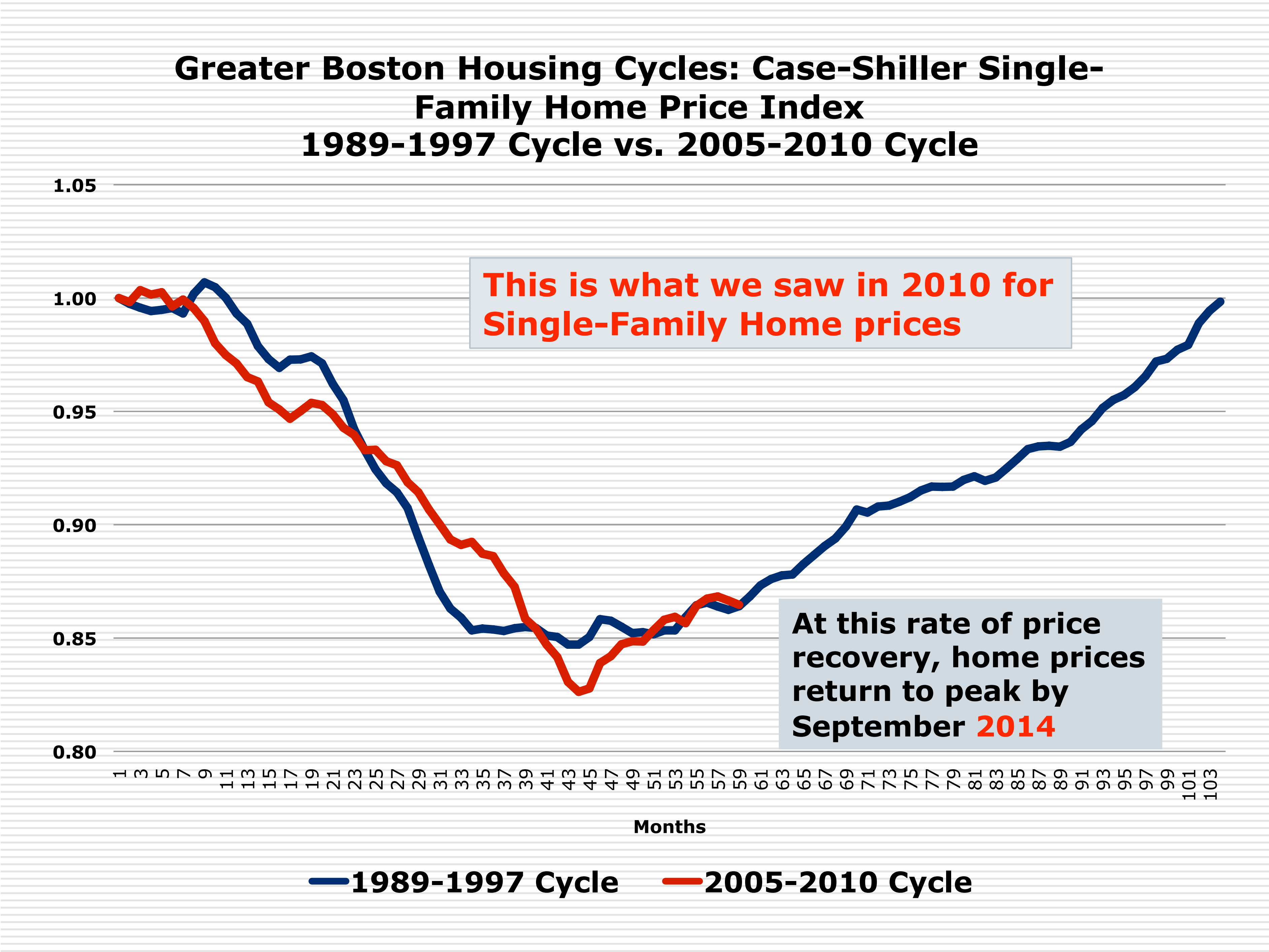

Annual Number of Sales of Single-Family Homes in Five-County Greater Boston Region 2000-2012 (est.)
After declining for 7 years, sales have picked up in 2012
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
33,310
35,444
22,787
22,635
27,800
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012 (est.)

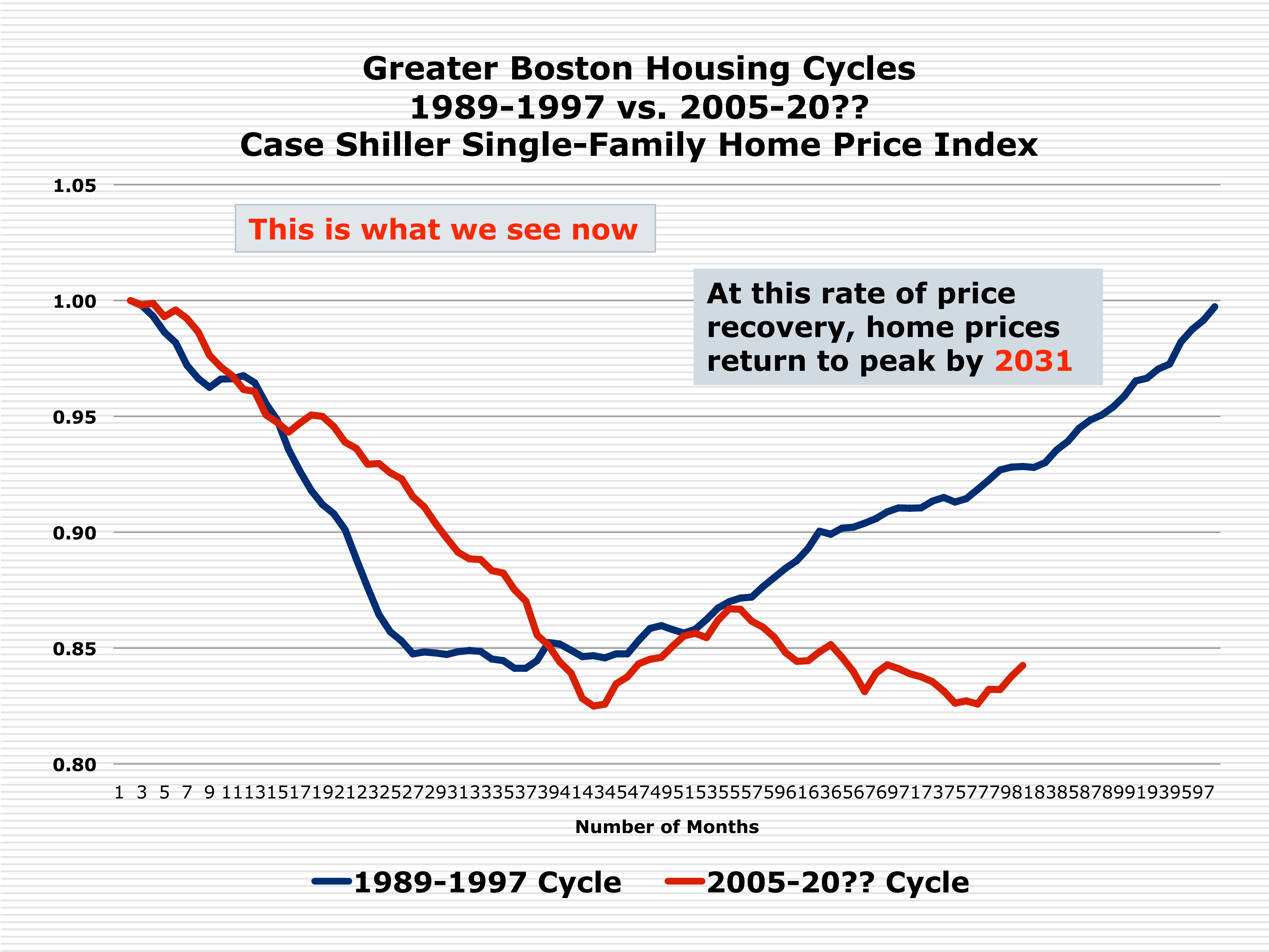

Annual Median Price of Single-Family Homes in Five-County Greater Boston Region, 2000-2012 (est.)
But prices still falling
-20.3%
$405,059
$260,196
$323,016
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012 (est)


Annual Sales of Condominiums in Five-County Greater Boston Region, 2000-2012 (Est.)
After declining for 6 years, sales have picked up in 2012
30,000
25,000
20,000
15,000
10,000
5,000
0
17,798
26,127
12,269
15,932
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012 (Est.)

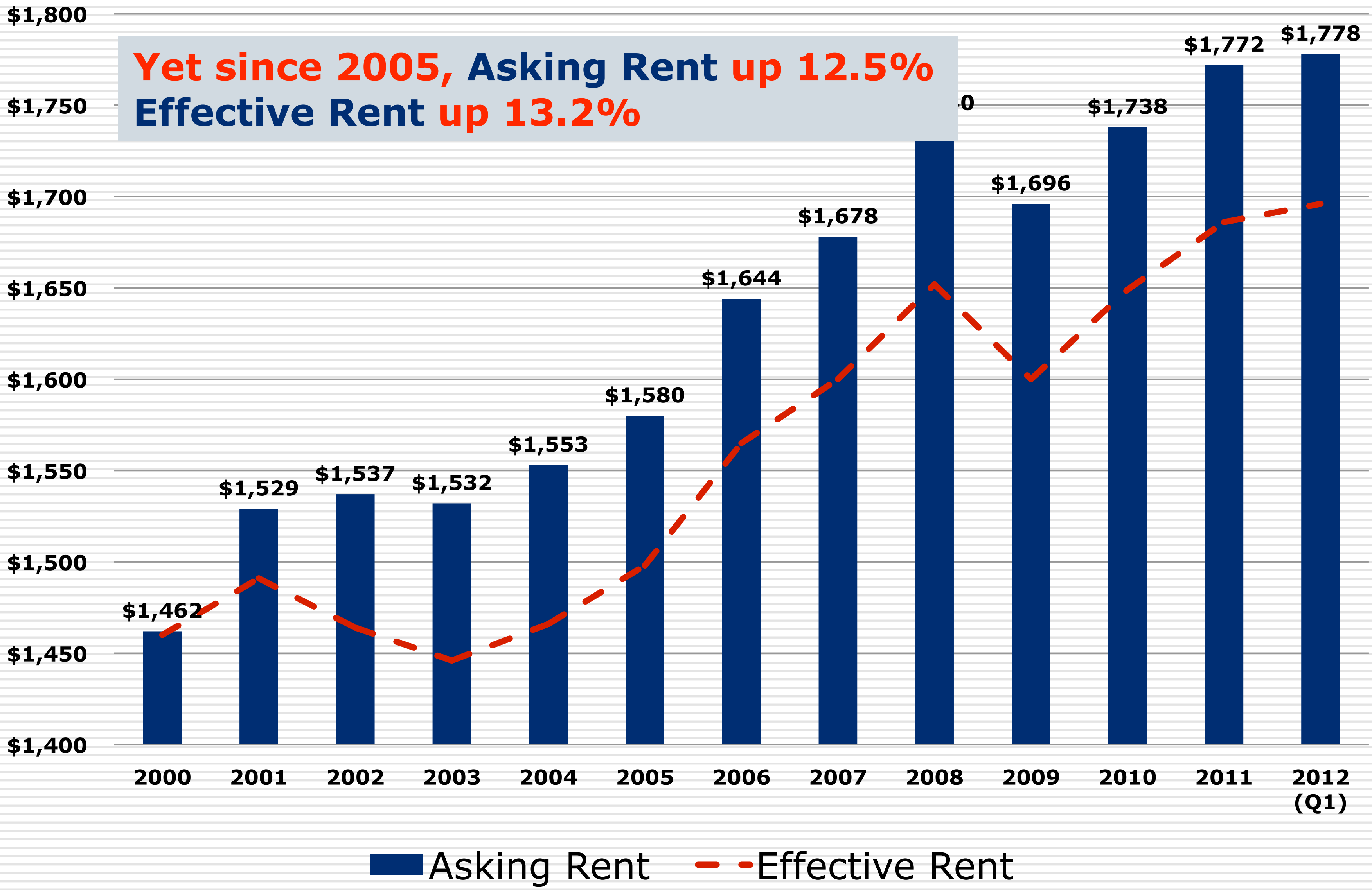
Annual Median Price of Condominiums in Five-County Greater Boston Region, 2000-2012 (est.)




Greater Boston Housing Cycles: Case-Shiller Single-Family Home Price Index
1989-1997 Cycle vs. 2005-2010 Cycle
This is what we saw in 2010 for Single-Family Home prices
At this rate of price recovery, home prices return to peak by September 2014
1.05
1.00
0.95
0.90
0.85
0.80
Months
1989-1997 Cycle
2005-2010 Cycle


Greater Boston Housing Cycles
1989-1997 vs. 2005-20??
Case Shiller Single-Family Home Price Index
This is what we see now
At this rate of price recovery, home prices return to peak by 2031
1.05
1.00
0.95
0.90
0.85
0.80
1 3 5 7 9 11 13 15 17 19 21 23 25 27 29 31 33 35 37 39 41 43 45 47 49 51 53 55 57 59 61 63 65 67 69 71 73 75 77 79 81 83 85 87 89 91 93 95 97
Number of Months
1989-1997 Cycle
2005-20?? Cycle

Average Annual Asking Rent and Effective Rent in Greater Boston, 2000 - 2012 (Q1)



Ratios of Average Effective Rents in Selected American Regions compared to Greater Boston

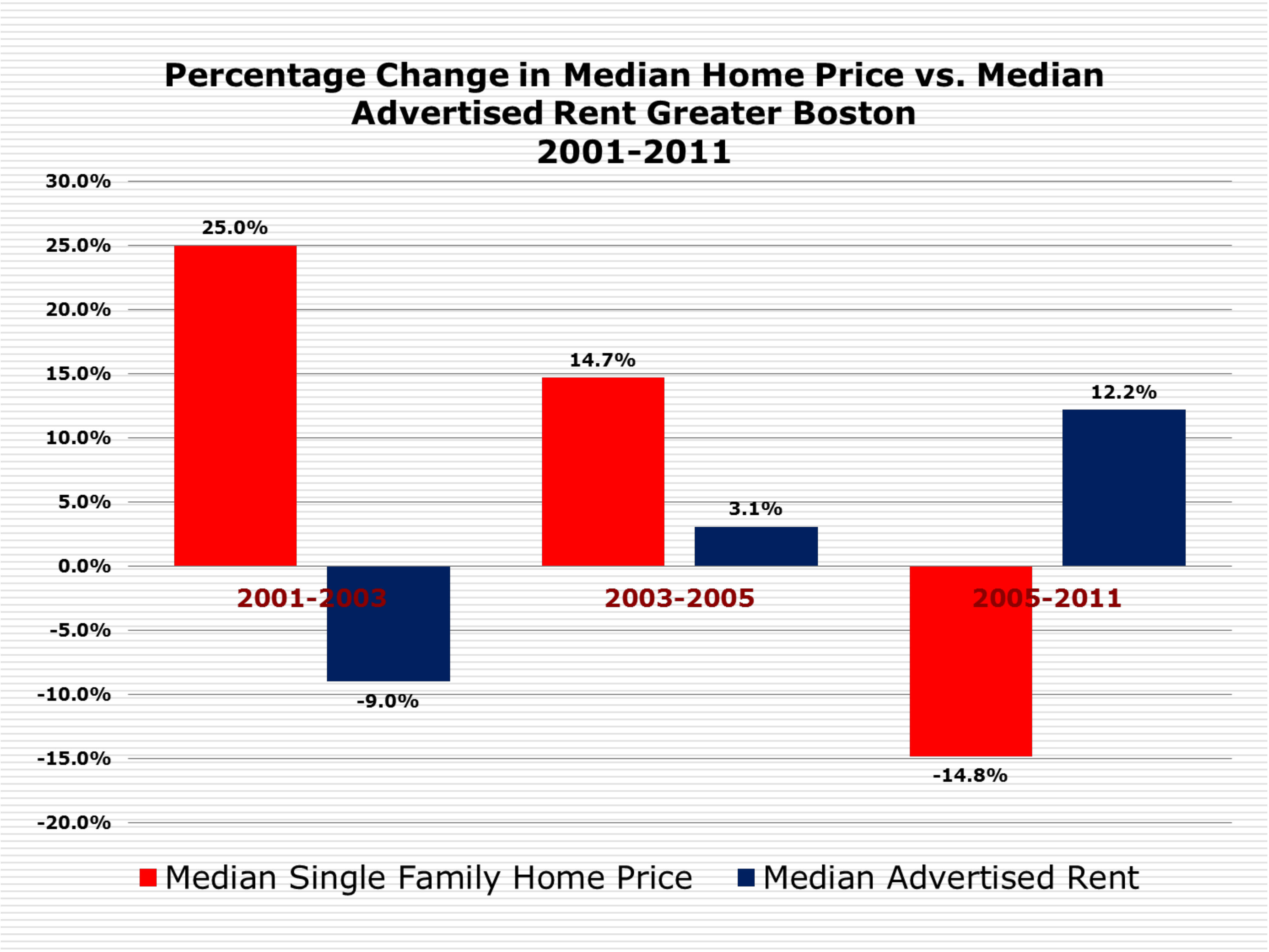
	2000	2006	2012
Outpacing Boston			
New York	**1.49**	**1.63**	**1.70**
San Francisco	1.27	1.02	1.11
BOSTON	1.00	1.00	1.00
Approaching Boston			
Washington	**0.66**	**0.78**	**0.86**
Los Angeles	**0.68**	**0.84**	**0.82**
San Diego	**0.64**	**0.77**	**0.79**
Miami	0.57	0.66	0.62
Chicago	0.61	0.60	0.60
Seattle	0.57	0.57	0.60
Far Below Boston and Getting More Affordable			
Minneapolis	0.57	0.54	**0.56**
Denver	0.54	0.48	**0.50**
Portland	0.47	0.45	**0.48**
Tampa	0.46	0.50	**0.48**
Detroit	0.52	0.48	**0.46**
Las Vegas	0.48	0.51	**0.46**
Dallas	0.47	0.44	**0.46**
Atlanta	0.54	0.47	**0.46**
Charlotte	0.48	0.43	**0.44**
Cleveland	0.43	0.42	**0.42**
Phoenix	0.44	0.44	**0.41**

Basic Family Budget Calculator, Boston vs. Competitor Regions 2005

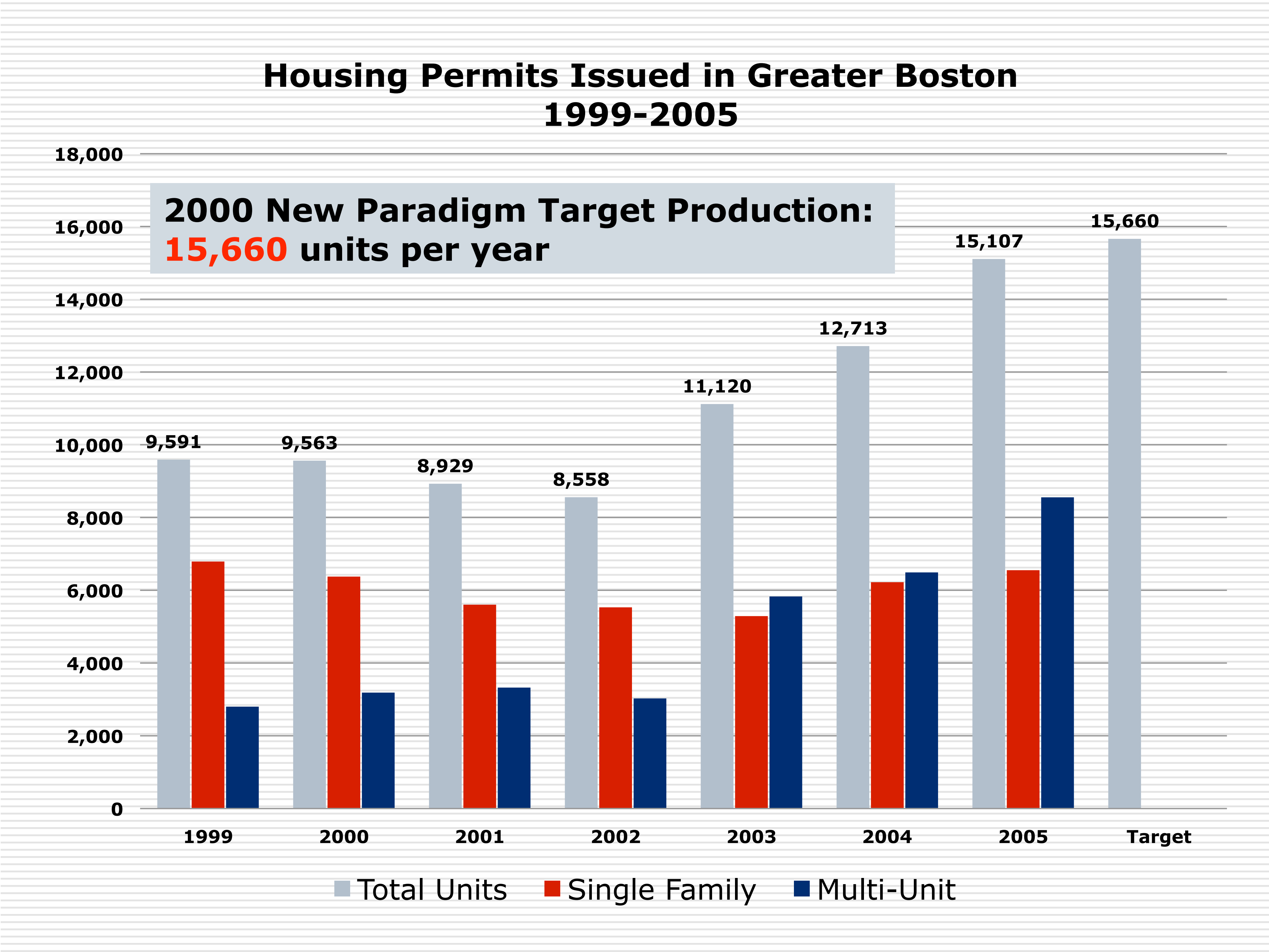
	Boston, MA	Washington, DC	New York , NY	San Francisco, CA	Minneapolis, MN	Denver, CO	Raleigh-Durham-Chapel Hill, NC	Chicago, IL	Austin, TX	Miami, FL
Monthly Housing	$1,266	$1,187	$1,075	$1,539	$928	$888	$779	$906	$912	$929
Monthly Food	$587	$587	$587	$587	$587	$587	$587	$587	$587	$587
Monthly Child Care	$1,298	$1,316	$1,195	$892	$1,364	$1,001	$866	$763	$720	$658
Monthly Transportation	$321	$321	$321	$358	$358	$358	$358	$321	$358	$358
Monthly Health Care	$592	$398	$514	$345	$345	$334	$368	$350	$430	$462
Monthly Other Necessities	$500	$479	$449	$574	$409	$398	$369	$403	$405	$409
Monthly Taxes	$824	$832	$747	$507	$588	$394	$350	$312	$220	$218
Monthly Total	$5,388	$5,120	$4,888	$4,802	$4,579	$3,960	$3,677	$3,642	$3,632	$3,621
Annual Total	**$64,656**	**$61,440**	**$58,656**	**$57,624**	**$54,948**	**$47,520**	**$44,124**	**$43,704**	**$43,584**	**$43,452**
Other Metro /Boston	**100.0%**	**95.0%**	**90.7%**	**89.1%**	**85.0%**	**73.5%**	**68.2%**	**67.6%**	**67.4%**	**67.2%**

Home Prices ↓ Rents ↑

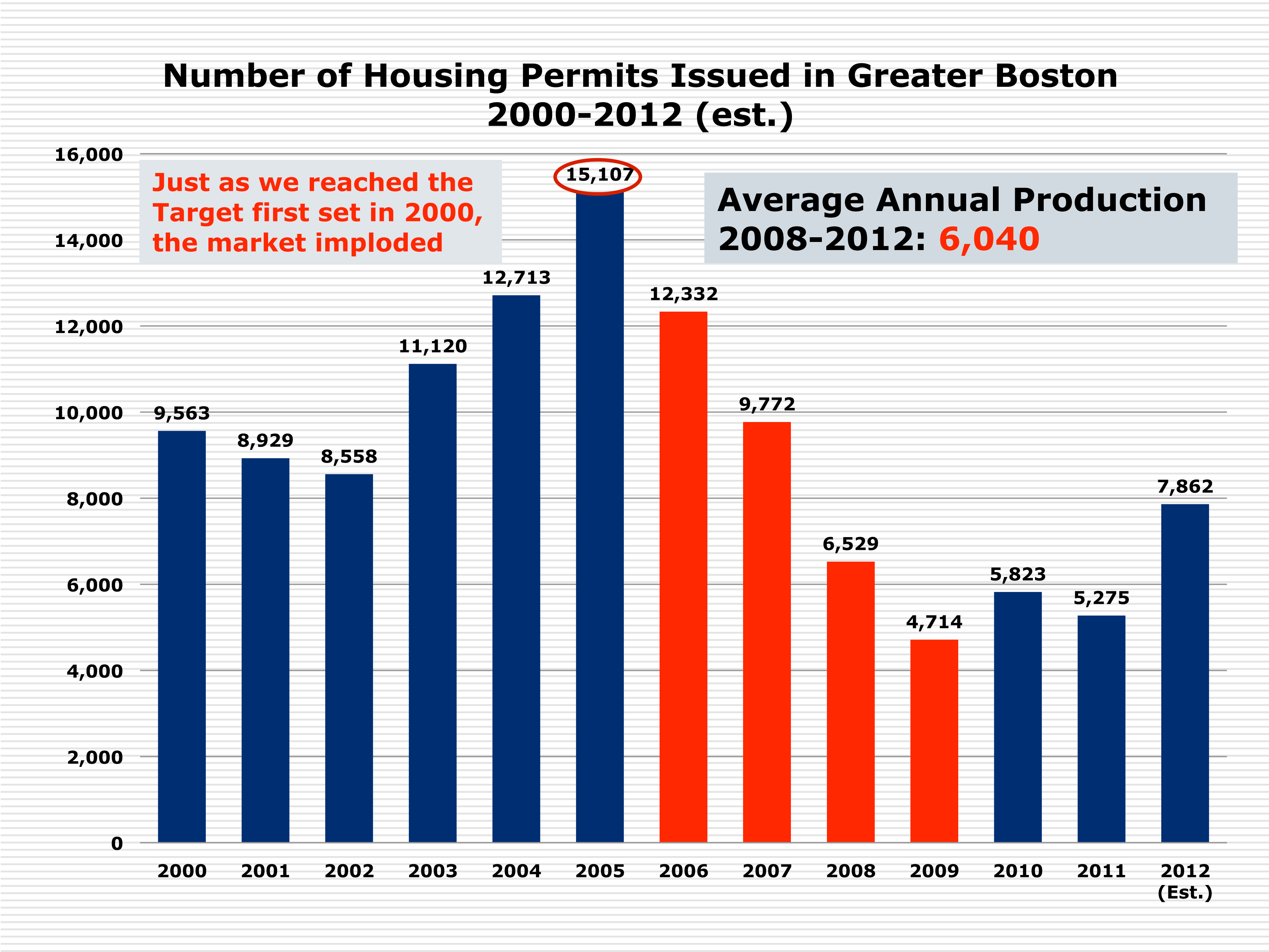
- Foreclosures reduce demand for homeownership and raise demand for rentals
- Young households postponing homeownership because they cannot get a mortgage or are anxious about buying in an unstable market
- Increase in Graduate Student population competing for rentals


Percentage Change in Median Home Price vs. Median Advertised Rent Greater Boston
2001-2011
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
25.0%
-9.0%
14.7%
3.1%
-14.8%
12.2%
2001-2003
2003-2005
2005-2011
Median Single Family Home Price
Median Advertised Rent

Housing Production

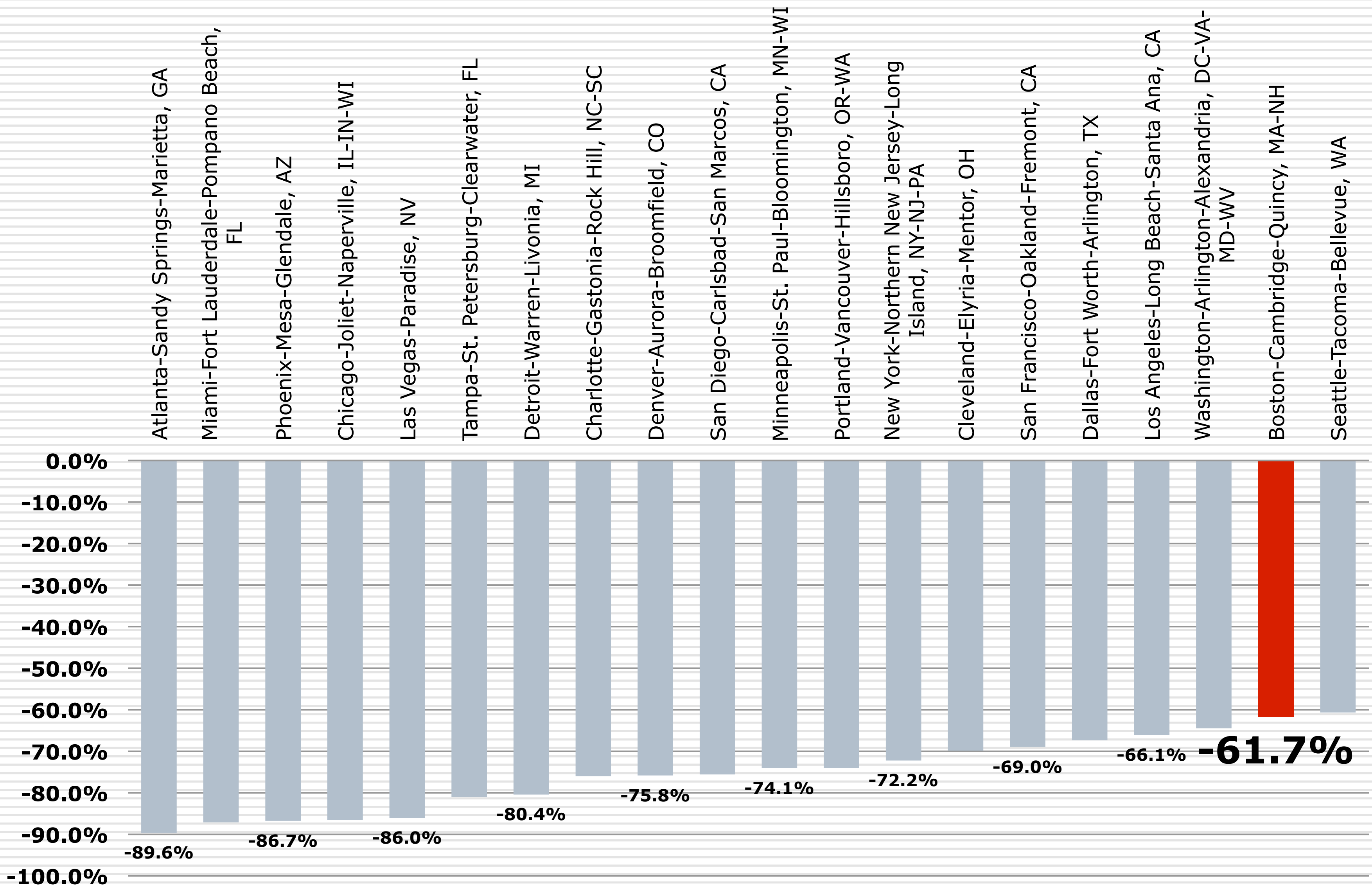


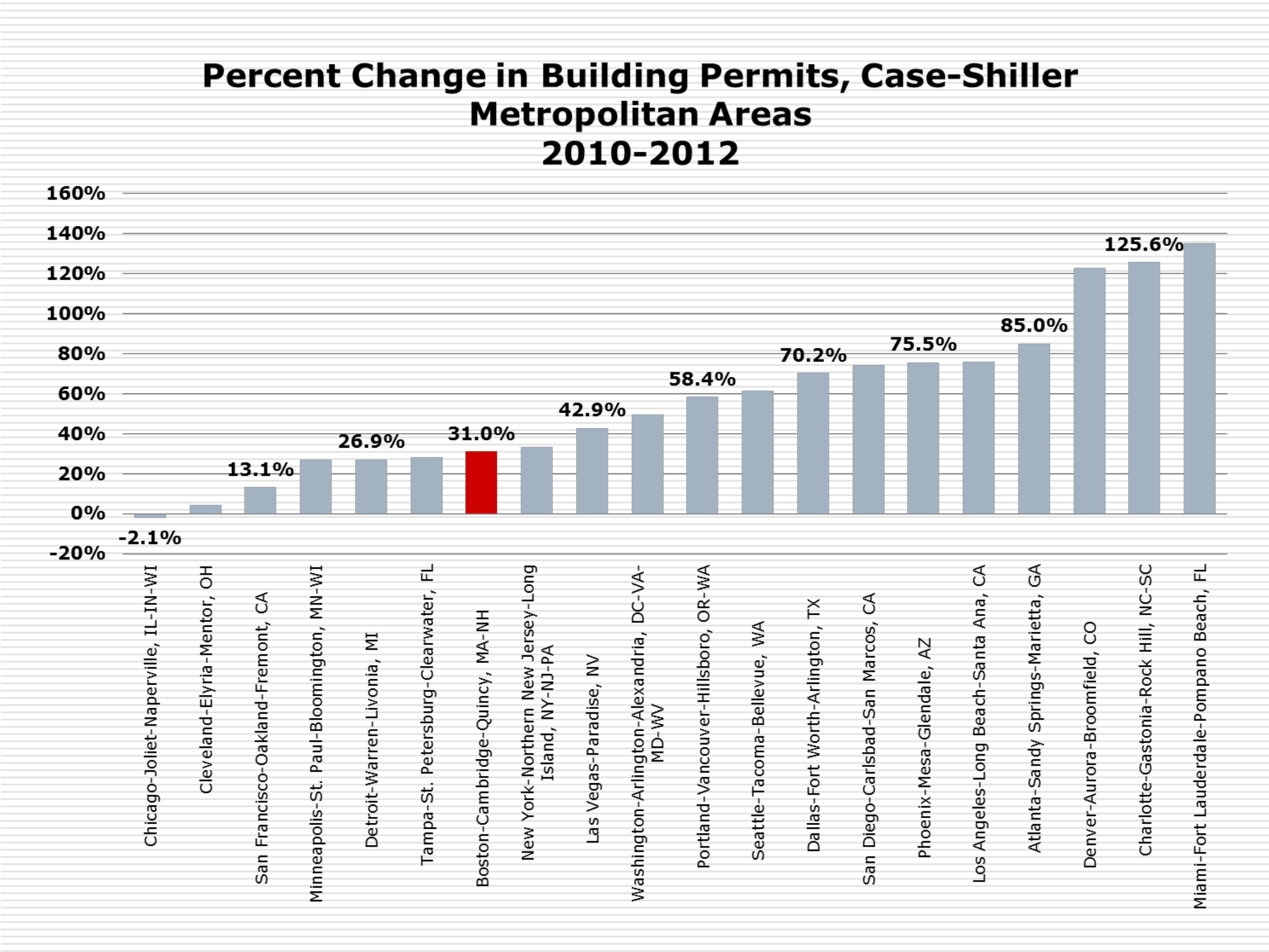
Housing Permits Issued in Greater Boston
1999-2005
2000 New Paradigm Target Production:
15,660 units per year
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
9,591
9,563
8,929
8,558
11,120
12,713
15,107
15,660
1999
2000
2001
2002
2003
2004
2005
Target
Total Units
Single Family
Multi-Unit



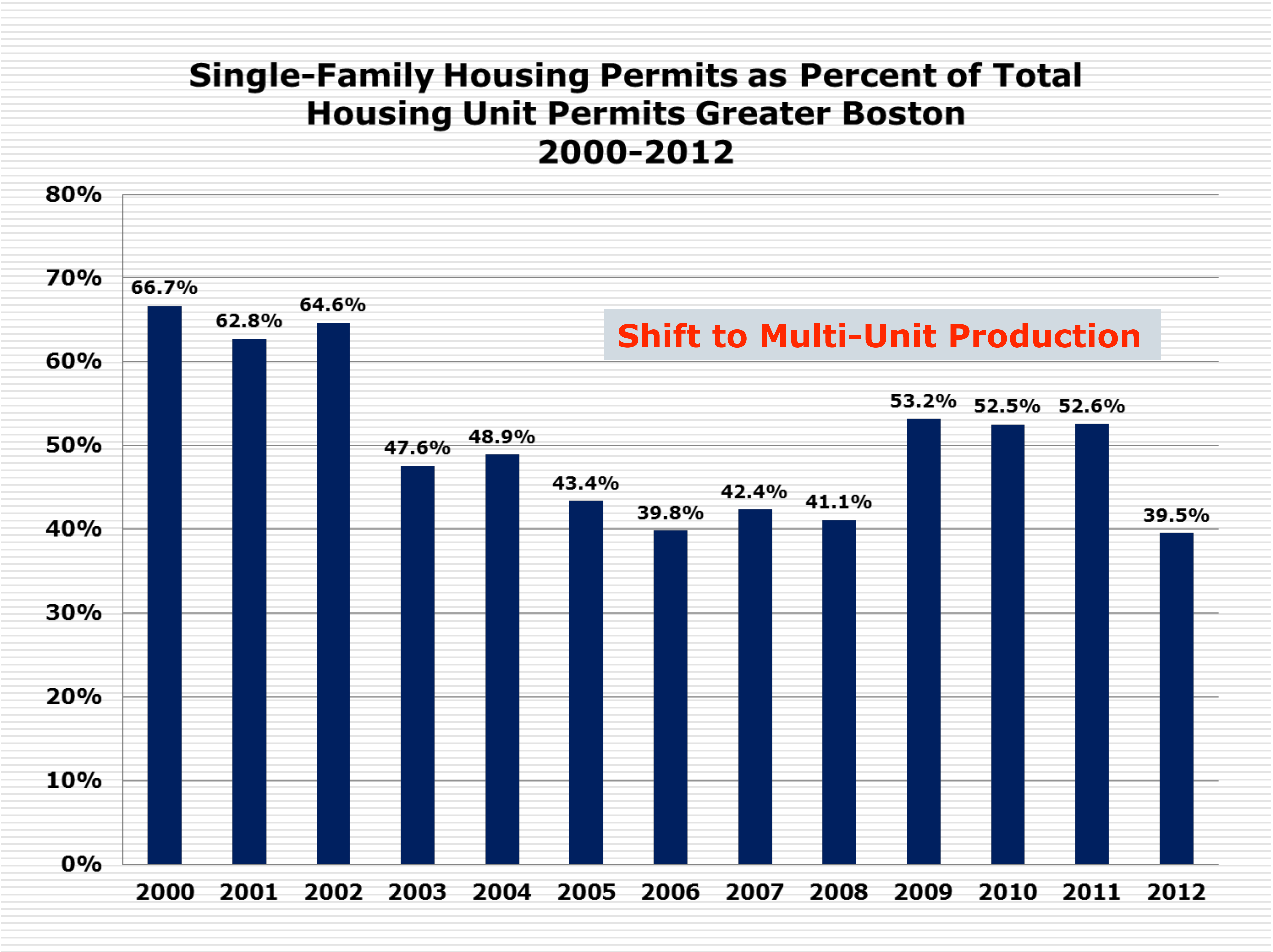
Number of Housing Permits Issued in Greater Boston
2000-2012 (est.)
Just as we reached the Target first set in 2000, the market imploded
Average Annual Production 2008-2012: 6,040
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
9,563
8,929
8,558
11,120
12,713
15,107
12,332
9,772
6,529
4,714
5,823
5,275
7,862
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012 (Est.)

Percent Change in Building Permits, Case-Shiller Metropolitan Areas, 2005-2010





Percent Change in Building Permits, Case-Shiller Metropolitan Areas 2010-2012
160%
140%
120%
100%
80%
60%
40%
20%
0%
-20%
-2.1%
13.1%
26.9%
31.0%
42.9%
58.4%
70.2%
75.5%
85.0%
125.6%
Chicago-Joliet-Naperville, IL-IN-WI
Cleveland-Elyria-Mentor, OH
San Francisco-Oakland-Fremont, CA
Minneapolis-St. Paul-Bloomington, MN-WI
Detroit-Warren-Livonia, MI
Tampa-St. Petersburg-Clearwater, FL
Boston-Cambridge-Quincy, MA-NH
New York-Northern New Jersey-Long Island, NY-NJ-PA
Las Vegas-Paradise, NV
Washington-Arlington-Alexandria, DC-VA-MD-WV
Portland-Vancouver-Hillsboro, OR-WA
Seattle-Tacoma-Bellevue, WA
Dallas-Fort Worth-Arlington, TX
San Diego-Carlsbad-San Marcos, CA
Phoenix-Mesa-Glendale, AZ
Los Angeles-Long Beach-Santa Ana, CA
Atlanta-Sandy Springs-Marietta, GA
Denver-Aurora-Broomfield, CO
Charlotte-Gastonia-Rock Hill, NC-SC
Miami-Fort Lauderdale-Pompano Beach, FL


Single-Family Housing Permits as Percent of Total Housing Unit Permits Greater Boston 2000-2012
80%
70%
60%
50%
40%
30%
20%
10%
0%
66.7%
62.8%
64.6%
47.6%
48.9%
43.4%
39.8%
42.4%
41.1%
53.2%
52.5%
52.6%
39.5%
Shift to Multi-Unit Production
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012

Single-Family and Multifamily Building Permits in Greater Boston, 2000-2012 (Est.)

Year	Total Units	Units in Single-Family Structures	Units in 2-4 Unit Structures	Units in 5+ Unit Structures
% Change, 2000-2005	**58.0%**	2.8%	50.2%	199.3%
% Change, 2005-2009	**-68.8%**	**-61.7%**	**-71.9%**	**-74.5%**
% Change, 2009-2010	**23.5%**	21.9%	22.3%	25.8%
% change, 2010-2012 (est.)	**35.0%**	**1.6%**	**-0.6%**	**85.8%**

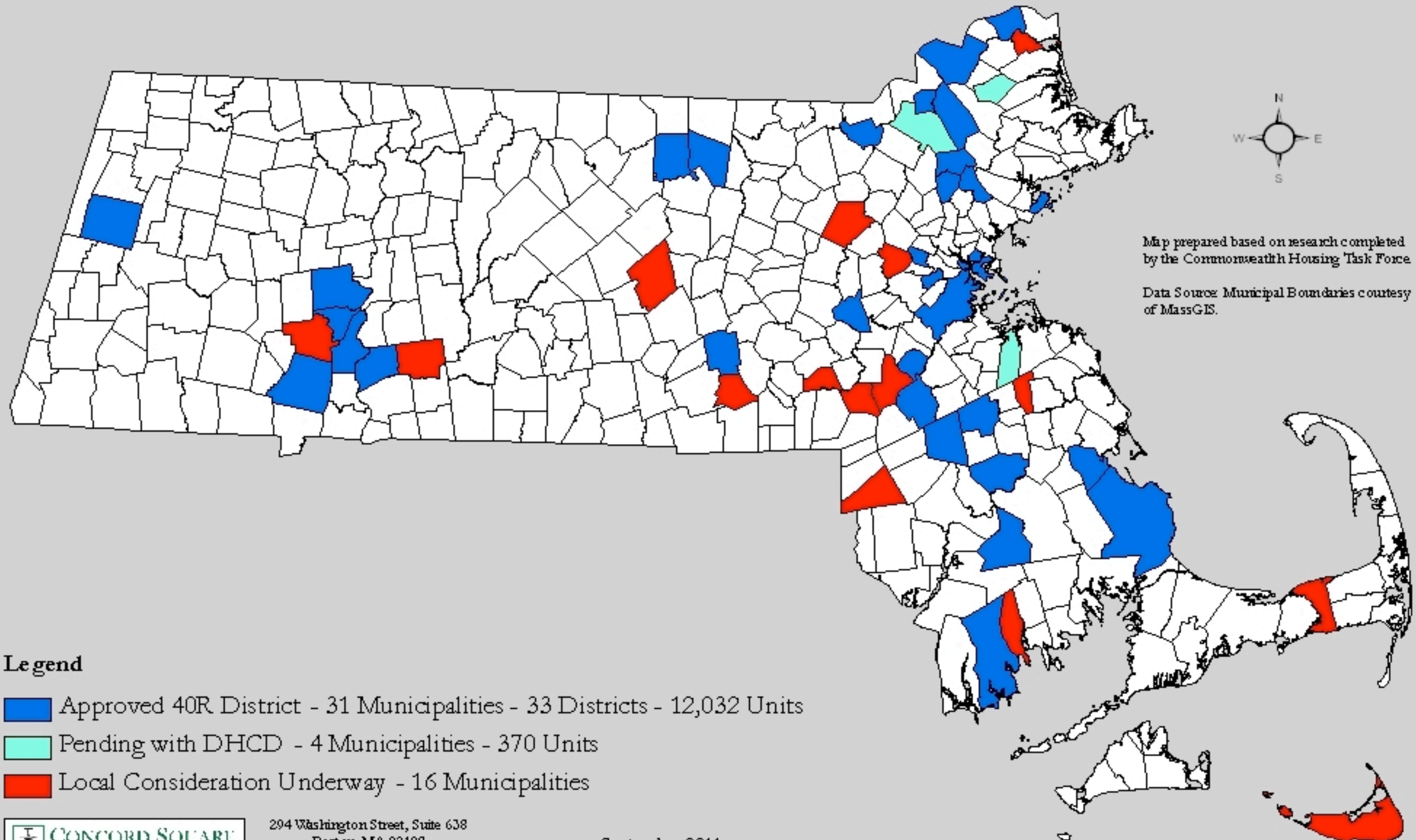
Source: U.S. Census Building Permit Survey for Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties

Note: The annualized estimates of 2012 housing permits were calculated by doubling the number of permits issued through June.

Chapter 40R Production

33 Smart Growth Overlay Districts
in 31 Municipalities

Smart Growth Zoning Approved or Under Consideration in Massachusetts



Map prepared based on research completed by the Commonwealth Housing Task Force

Data Source: Municipal Boundaries courtesy of MassGIS.

Legend

- Approved 40R District - 31 Municipalities - 33 Districts - 12,032 Units
- Pending with DHCD - 4 Municipalities - 370 Units
- Local Consideration Underway - 16 Municipalities

CONCORD SQUARE
PLANNING & DEVELOPMENT, INC

294 Washington Street, Suite 638
Boston, MA 02108
www.concordsqdev.com

September 2011

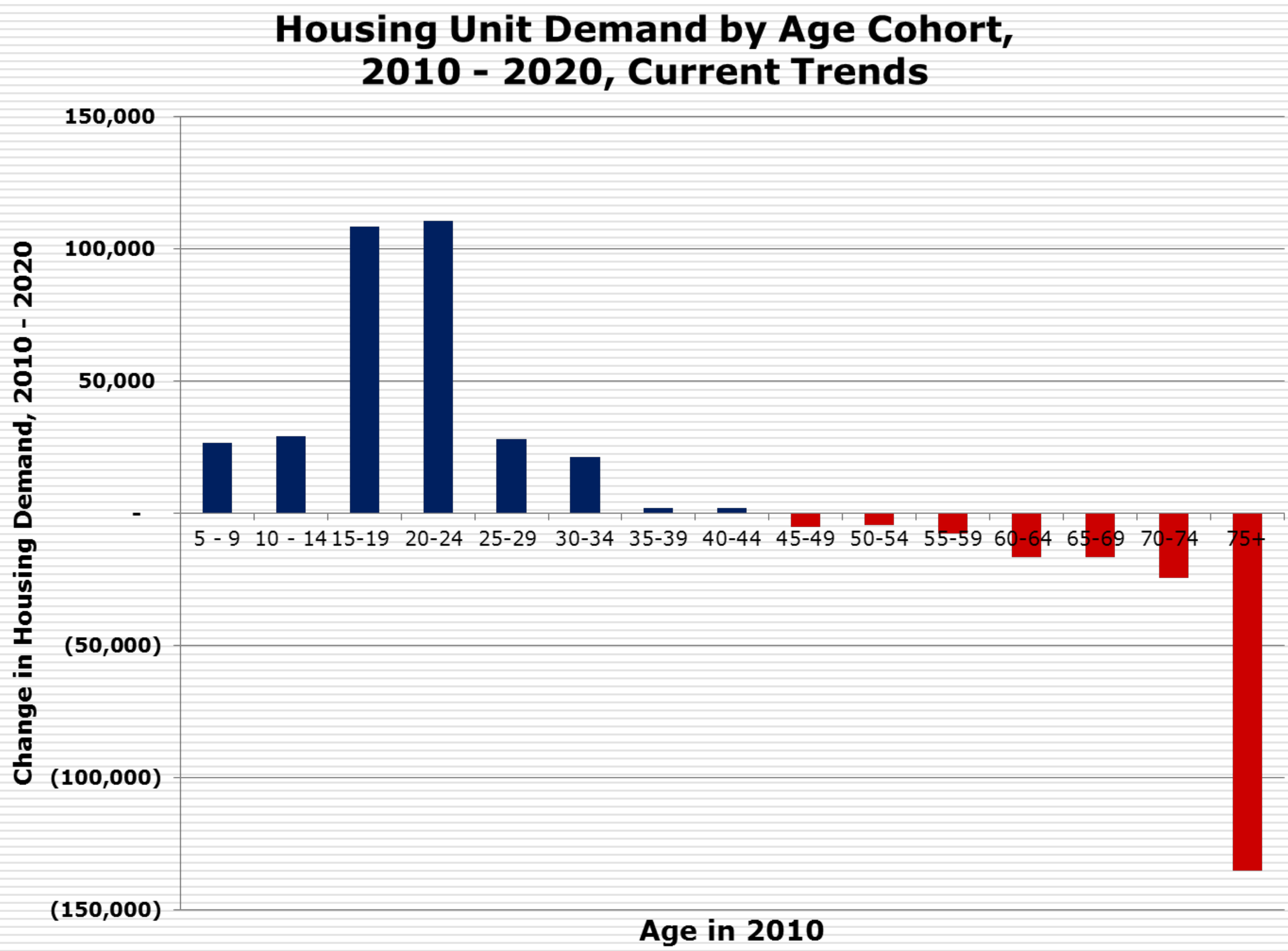
Chapter 40R Production to Date

- 1,211 Units Constructed
- 212 Building Permits Issued
- 520 Pending Building Permits
- Total Units Constructed, Under Construction, or Pending Production **1,943**
- In over half (52%) of 40R districts units have been constructed, are under construction, or pending production

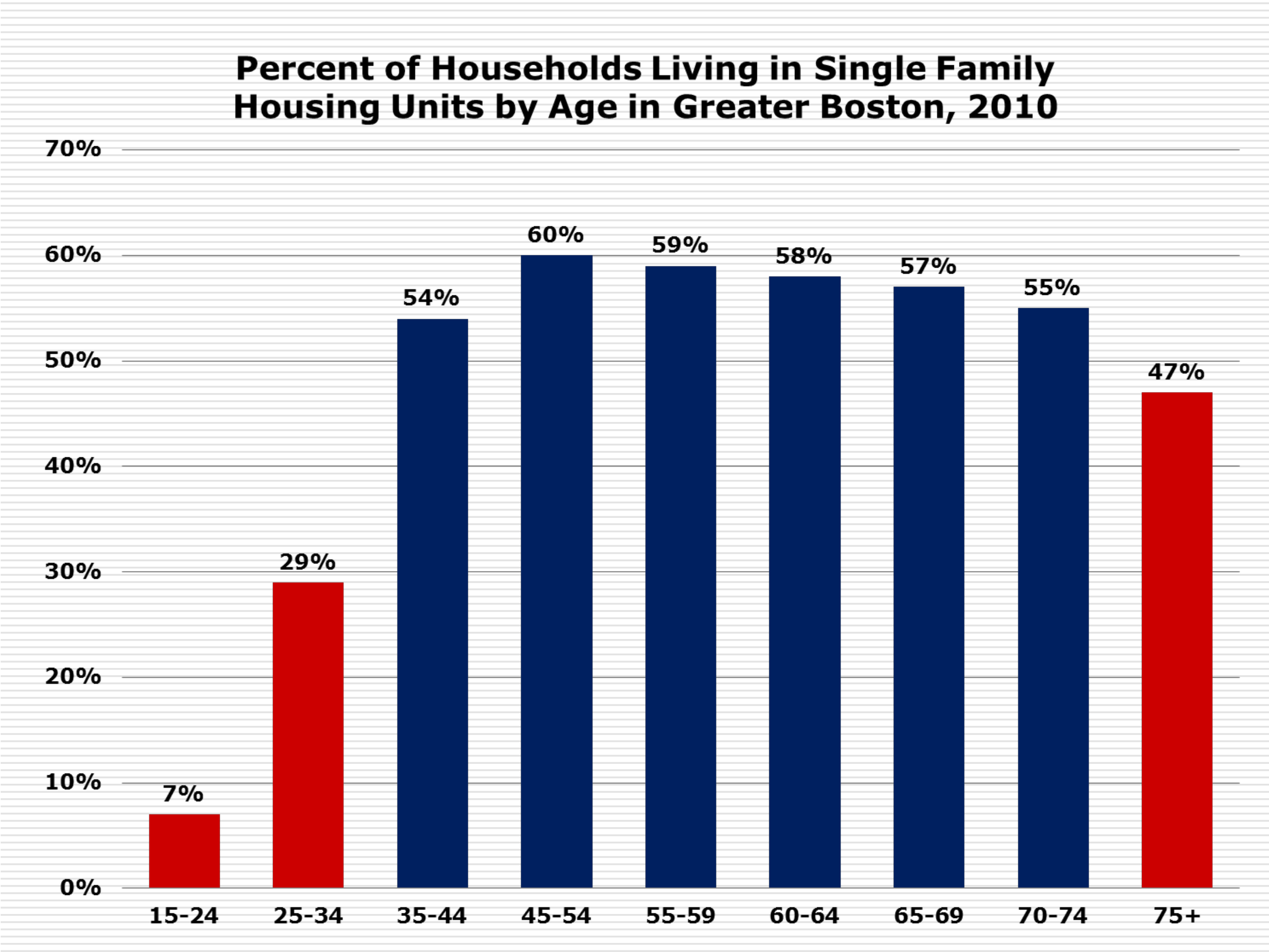
Housing Demand Projections

“Current Trends” Projection

“Stronger Growth” Projection



Housing Unit Demand by Age Cohort, 2010 - 2020, Current Trends
150,000
100,000
50,000
-
(50,000)
(100,000)
(150,000)
Change in Housing Demand, 2010 - 2020
5 - 9
10 - 14
15-19
20-24
25-29
30-34
35-39
40-44
45-49
50-54
55-59
60-64
65-69
70-74
75+
Age in 2010


Percent of Households Living in Single Family Housing Units by Age in Greater Boston, 2010
70%
60%
50%
40%
30%
20%
10%
0%
7%
29%
54%
60%
59%
58%
57%
55%
47%
15-24
25-34
35-44
45-54
55-59
60-64
65-69
70-74
75+

Households Counts 2010 vs. 2020 – "Current Trends" Projection

Age in 2010	Number of Households in 2010	Number of Households in 2020	Change, 2010-2020
1-4	-	-	-
5-9	-	26,700	**26,700**
10-14	-	29,300	**29,300**
15-19	31,100	139,700	**108,600**
20-24	33,000	143,500	**110,500**
25-29	138,600	166,600	**28,000**
30-34	125,600	146,900	**21,300**
35-39	153,400	155,500	**2,100**
40-44	170,300	172,500	**2,200**
45-49	197,300	192,400	**-4,900**
50-54	186,900	182,700	**-4,200**
55-59	166,000	158,600	**-7,400**
60-64	145,600	129,200	**-16,400**
65-69	107,100	90,700	**-16,400**
70-74	77,600	53,400	**-24,200**
75+	185,400	50,200	**-135,200**
Grand Total	1,717,900	1,837,900	**120,000**

Age 25-34 in 2020

Change in Housing Demand by Type of Housing Structure
"Current Trends" Projection

Age in 2010	Single-Family Housing Demand	Multifamily Housing Demand	Other Housing Demand	Total Demand
1-4	-	-	-	-
5-9	1,800	24,800	0	26,600
10-14	2,000	27,200	100	29,300
15-19	**28,300**	**80,300**	100	108,700
20-24	**28,500**	**81,500**	100	110,100
25-29	**52,700**	**-24,700**	200	28,200
30-34	**45,700**	**-24,500**	200	21,400
35-39	**14,900**	**-13,100**	400	2,200
40-44	**16,500**	**-14,600**	500	2,400
45-49	-5,000	0	100	-4,900
50-54	-8,200	2,900	1,100	-4,200
55-59	-11,500	2,800	1,300	-7,400
60-64	-10,700	-5,800	-100	-16,600
65-69	-13,100	-3,700	400	-16,400
70-74	-16,000	-8,400	100	-24,300
75+	-65,200	-67,300	-2,600	-135,100
Grand Total	**60,700**	**57,400**	1,900	120,000

Change in Housing Demand by Tenure – “Current Trends” Projection

Age in 2010	Homeowner Households	Rental Households	Total Households
1-4	-	-	-
5-9	2,200	24,500	26,700
10-14	**2,400**	**26,900**	29,300
15-19	**46,300**	**62,300**	108,600
20-24	**47,500**	**63,000**	110,500
25-29	**56,400**	**-28,400**	28,000
30-34	**48,500**	**-27,300**	21,200
35-39	**14,500**	**-12,300**	2,200
40-44	**16,000**	**-13,700**	2,300
45-49	700	-5,600	-4,900
50-54	3,900	-8,100	-4,200
55-59	-7,700	300	-7,400
60-64	-15,300	-1,200	-16,500
65-69	-16,800	400	-16,400
70-74	-21,400	-2,900	-24,300
75+	-89,500	-45,600	-135,100
Grand Total	**87,700**	**32,300**	**120,000**

Households Counts 2010 vs. 2020 – "Stronger Growth" Scenario

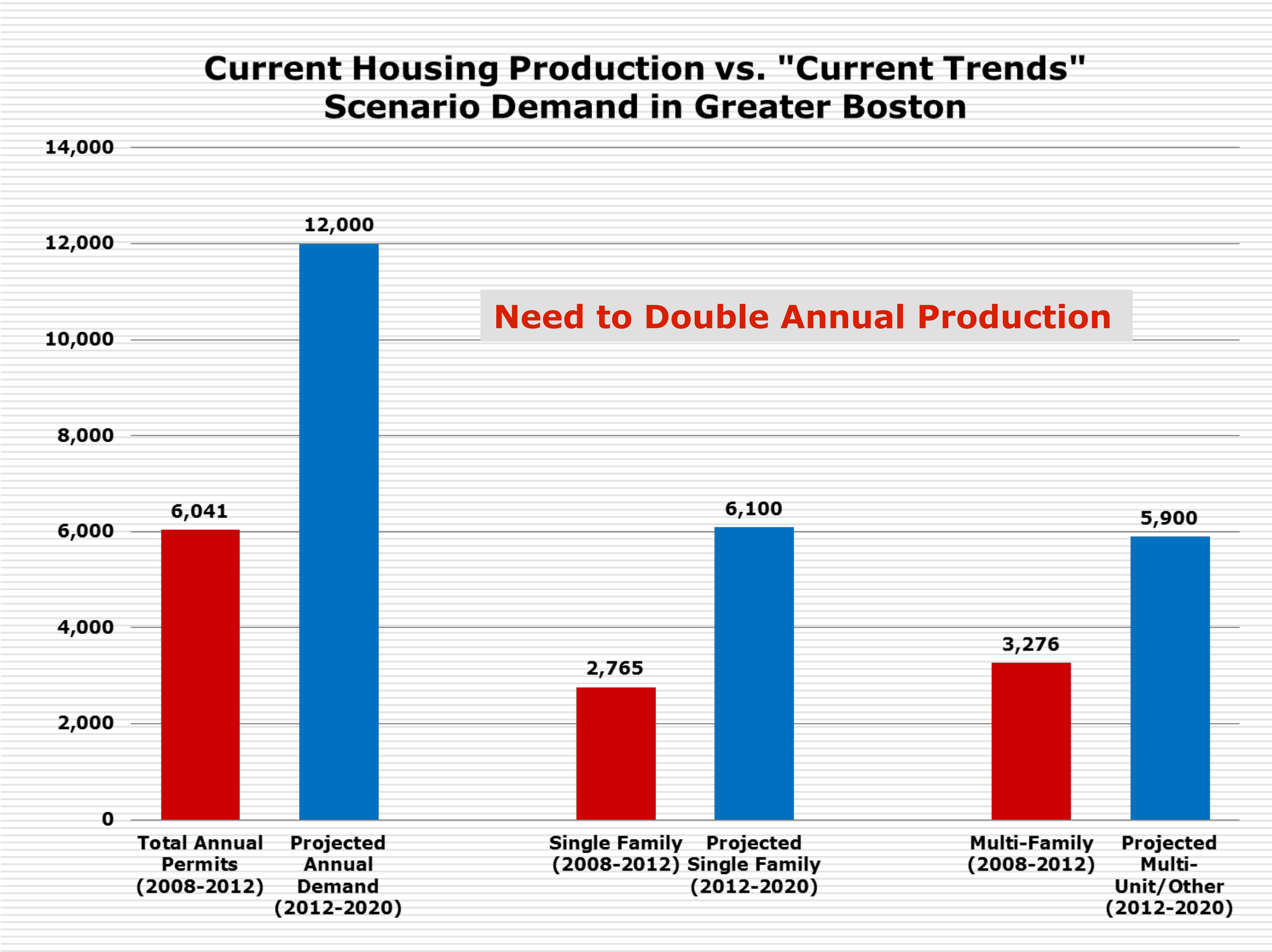
Age in 2010	Number of Households in 2010	Number of Households in 2020	Change 2010-2020
1-4	-	-	-
5-9	-	28,000	28,000
10-14	-	32,100	32,100
15-19	31,100	153,900	**122,800**
20-24	33,000	156,500	**123,500**
25-29	138,600	177,400	**38,800**
30-34	125,600	153,500	**27,900**
35-39	153,400	160,400	7,000
40-44	170,300	176,400	6,100
45-49	197,300	195,600	-1,700
50-54	186,900	185,500	-1,400
55-59	166,000	161,000	-5,000
60-64	145,600	130,800	-14,800
65-69	107,100	91,900	-15,200
70-74	77,600	54,200	-23,400
75+	185,400	51,700	-133,700
Grand Total	1,717,900	1,908,900	**191,000**

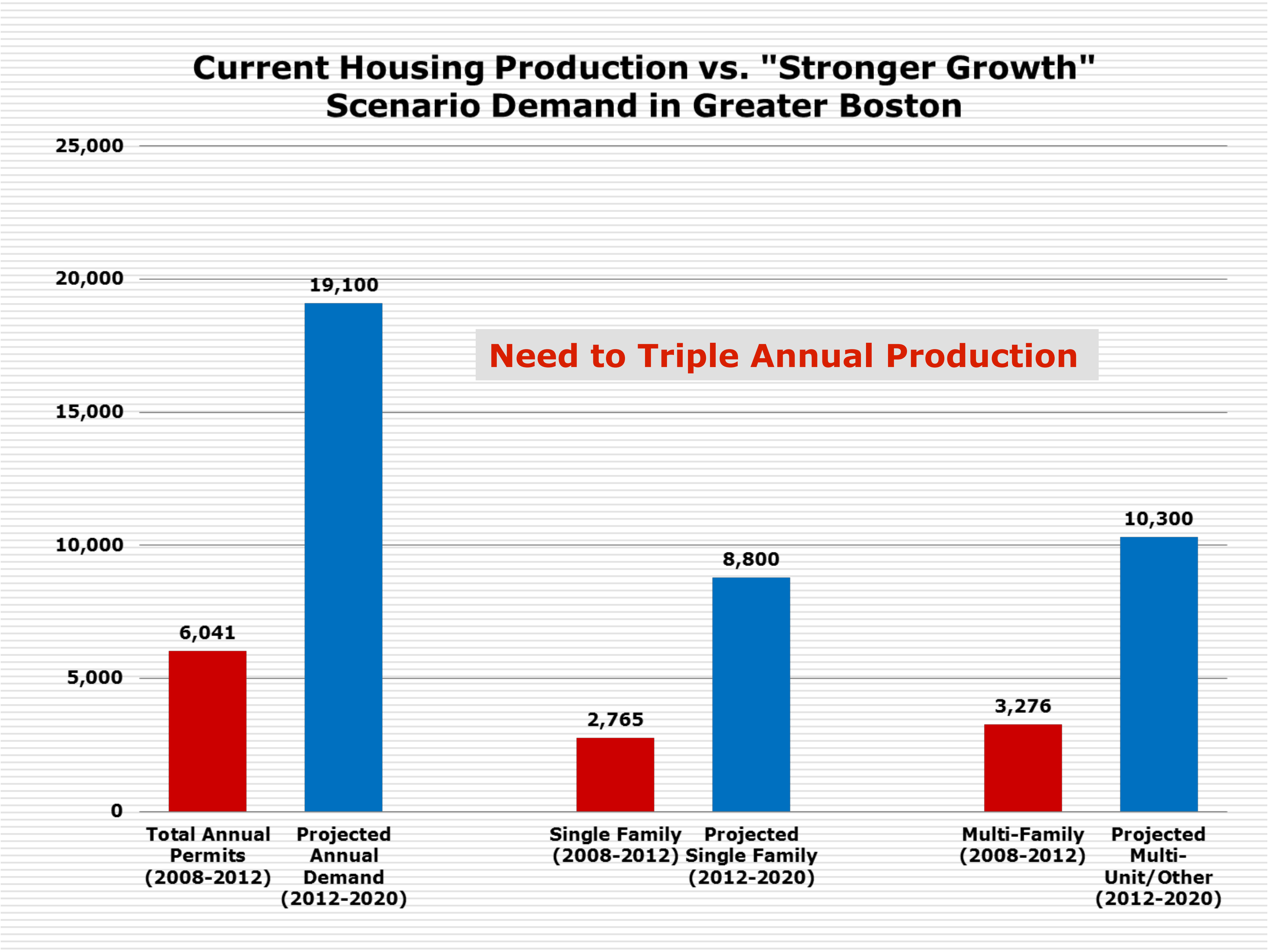
Change in Housing Demand by Type of Housing Structure
"Stronger Growth" Projection

Age in 2010	Single-Family Households	Multifamily Households	Other Households	Total Households
1-4	-	-	-	-
5-10	1,900	26,100	100	28,100
10-14	2,200	**29,900**	100	32,200
15-19	**31,300**	**91,300**	100	122,700
20-24	**31,800**	**91,600**	100	123,500
25-29	**58,000**	-19,300	200	38,900
30-34	**48,900**	-21,200	200	27,900
35-39	17,700	-11,100	400	7,000
40-44	18,600	-13,100	500	6,000
45-49	-3,200	**1,400**	100	-1,700
50-54	-6,700	**4,200**	1,100	-1,400
55-59	-10,300	**3,900**	1,300	-5,100
60-64	-9,800	-5,000	0	-14,800
65-69	-12,500	-3,100	400	-15,200
70-74	-15,600	-7,900	100	-23,400
75+	-64,600	-66,600	-2,500	-133,700
Grand Total	**87,700**	**101,100**	**2,200**	**191,000**

Change in Housing Demand by Tenure – "Stronger Growth" Scenario

Age in 2010	Homeowner Households	Renter Households	Total Households
1-4	-	-	-
5-10	2,300	25,700	28,000
10-14	2,700	29,500	32,200
15-19	51,300	71,400	122,700
20-24	52,100	71,400	123,500
25-29	63,200	-24,400	38,800
30-34	52,700	-24,600	28,100
35-39	17,900	-10,800	7,100
40-44	18,600	-12,600	6,000
45-49	3,000	-4,700	-1,700
50-54	6,000	-7,400	-1,400
55-59	-6,000	1,000	-5,000
60-64	-14,100	-700	-14,800
65-69	-16,100	800	-15,300
70-74	-20,800	-2,600	-23,400
75+	-88,700	-45,100	-133,800
Grand Total	**124,100**	**66,900**	**191,000**


Current Housing Production vs. "Current Trends" Scenario Demand in Greater Boston
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
12,000
Need to Double Annual Production
6,041
6,100
5,900
2,765
3,276
Total Annual Permits (2008-2012)
Projected Annual Demand (2012-2020)
Single Family (2008-2012)
Projected Single Family (2012-2020)
Multi-Family (2008-2012)
Projected Multi-Unit/Other (2012-2020)



Current Housing Production vs. "Stronger Growth" Scenario Demand in Greater Boston
25,000
20,000
15,000
10,000
5,000
0
19,100
Need to Triple Annual Production
10,300
8,800
6,041
2,765
3,276
Total Annual Permits (2008-2012)
Projected Annual Demand (2012-2020)
Single Family (2008-2012)
Projected Single Family (2012-2020)
Multi-Family (2008-2012)
Projected Multi-Unit/Other (2012-2020)

Other Factors that Could Affect Housing Demand

Decline in Household Income

Increase in College Debt

Increased Desire for City/Village Living

Decreased Tolerance for Commuting

Demographic Data for Greater Boston 1990 - 2010

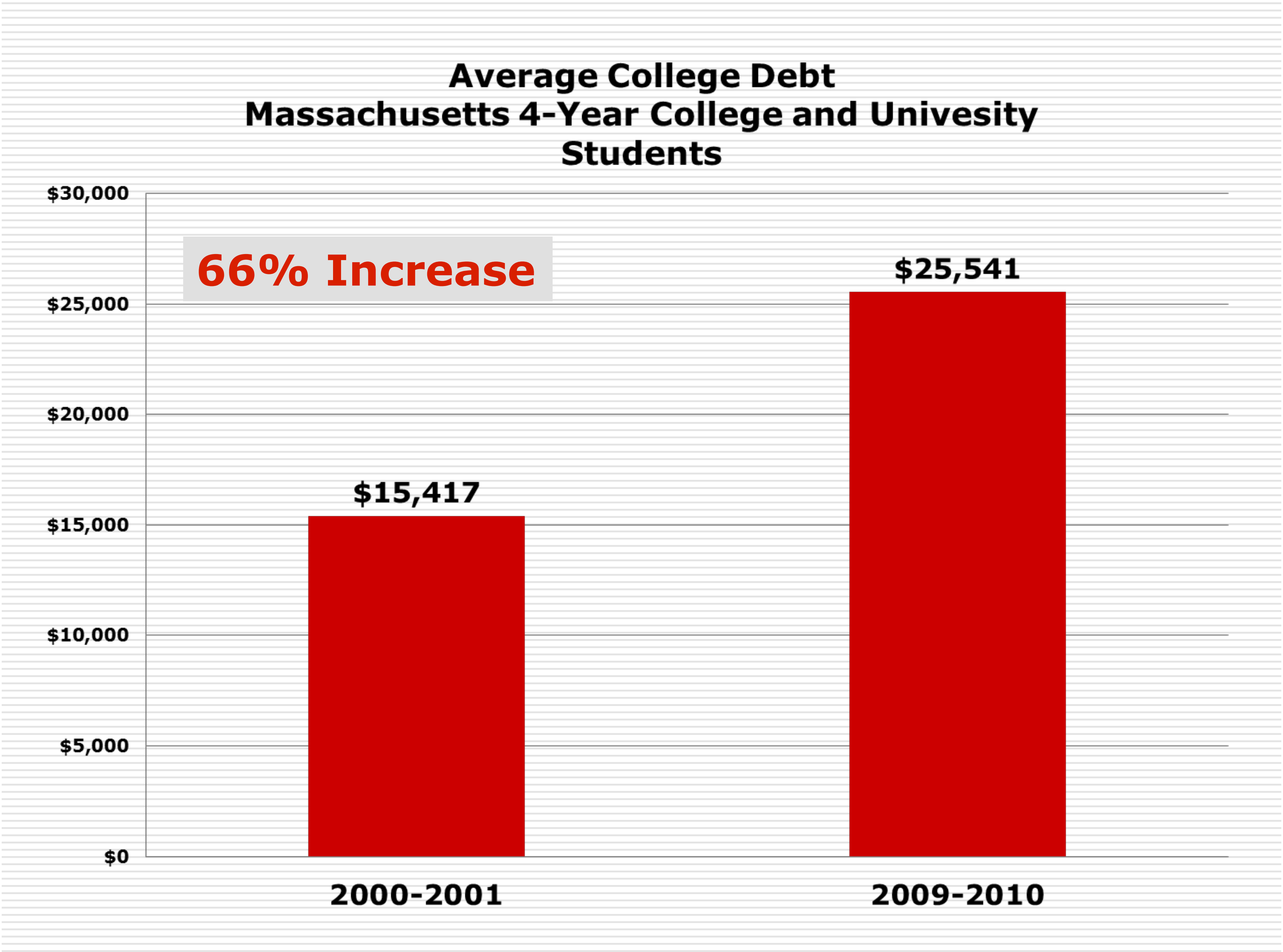
	1990	2000	2010	% Change, 1990-2000	% Change, 2000-2010
Median Household Income (2010 $)[a]	$67,010	$69,784	$68,802	4.1%	**-1.4%**
Median Homeowner Income (2010 $)[a]	$86,225	$90,460	$93,484	4.9%	**3.3%**
Median Renter Income (2010 $)[a]	**$43,787**	**$43,312**	**$39,208**	-1.1%	**-9.5%**
Renter-Occupied Households Paying More Than 30% of Income on Rent	41.7%	**39.2%**	**50.1%**	**-5.9%**	**27.7%**
Owner-Occupied Households w/ Mortgage Paying More than 30% of Income on HH Costs	28.3%	**26.7%**	**39.5%**	**-5.7%**	**47.8%**
Average Household Size	**2.59**	**2.51**	**2.48**	-3.0%	-1.2%
Average Household Size, Owner-Occupied Units	2.86	2.76	2.70	-3.6%	-2.2%
Average Household Size, Renter-Occupied Units	2.22	2.17	2.18	-2.3%	0.7%
Percent of Households with One Person	**26.3%**	**28.2%**	**28.9%**	7.1%	2.5%

Median Household Income by Age of Householder in Five-County Greater Boston Region

	2010 Dollars		
	2000	2010	Percent Change 2000-2010
Householder under 25 years	**$38,357**	**$26,380**	**-31.2%**
Householder 25 to 44 years	$78,295	$77,692	-0.8%
Householder 45 to 64 years	$86,687	$84,296	-2.8%
Householder 65 years and over	$36,388	$38,043	4.5%

Note: These figures represent averages (weighted by number of households in each age group) of the age specific median household incomes of Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties.

Source: U.S. Census Bureau, 2000 Census, 2010 ACS 1-Year Estimates


Average College Debt
Massachusetts 4-Year College and Univesity
Students
66% Increase
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
$15,417
$25,541
2000-2001
2009-2010

Shift in Housing Demand – Young Households

- All of these trends suggest that future demand for housing may require a greater supply of multi-unit housing – both condo and rental – and less single-family housing

- The younger households may also wish to live closer to the city or in village centers – less so in far-flung suburbs

Shift in Housing Demand – Aging Baby Boomers

- Aging Boomers may wish to “age in place” but not in their current homes
- They may wish to remain near friends and familiar local community amenities
- As such, they may give up their large single family homes for smaller multi-family housing … but in the communities where they now live

Shift in Housing Demand – Need for More Affordable Units

- Declining incomes for renter households means we need to find more affordable units or they will face ever larger housing hurdles
- This means we need to free up rental housing for low and moderate income families
- And it means we need to build more affordable units as part of new developments

Grand Conclusion

Greater Boston is about to experience a demographic revolution that will fundamentally increase the amount -- and change the type and location -- of the housing the region will need if it is to fulfill its moral responsibility for decent shelter for all and the economic necessity of competing for the young talent that we need to keep the Commonwealth prosperous